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Korean Conflict Tests U.S. Containment Policy

Now that the historic milestone of United Nations action against aggression is behind us, many questions arise as to the next steps the international organization, on whose behalf the United States is acting in Korea, could or should take. The comparative restraint in diplomatic and propaganda exchanges which has characterized the "hot war" on the Korean front is in marked contrast to the crescendo of threats and counterthreats the cold war had made all too familiar. At a moment when the world is once more on the edge of the abyss, there seems to be a pause in which all sides are appraising the validity of assumptions on which past policy has been based and are weighing the outlook for the future.

Containment Short of War?

President Truman's message to Congress on July 19 made it clear that the United States is now determined "to increase its military strength and preparedness not only to deal with the aggression in Korea but also to increase our common defense, with other free nations, against further aggression." Washington has thus squarely faced the possibility that the policy of containment of Russia and communism, initiated in 1947, may not succeed without war—if not a general war, at least a series of localized clashes at widely scattered points on the far-flung periphery of the U.S.S.R.

Until now the prevailing opinion in Washington was that "containment" would prove a deterrent to war, but if war came, it would be waged directly between the great powers, with primary re-

liance on long-range bombers armed with atomic bombs. It was assumed that the containment policy would bring about either a mellowing of the Soviet leaders or the internal disintegration of their system. Yet at the same time, in what appeared to be a contradictory argument, it was contended that by directing the Russian people's attention to external dangers, real or imagined, the Soviet government would strengthen its position at home.

Public discussions preceding the Korean war do not indicate that serious consideration was given to the possibility that the U.S.S.R. would accept the challenge of the United States—the only nation at all prepared for a military test—and would try to break through the lines of containment. Hatred of Russia and communism cannot obscure the experience of history—and that is that no dynamic nation has ever unquestioningly accepted limits set for it by powers it regards, rightly or wrongly, as rivals. Russia's own history shows that the Tsarist government sought again and again to break through the containment levees thrown up during the eighteenth and nineteenth centuries. In that period the British fought a series of local wars with Russia, among them the Crimean campaign, until the

two powers in 1907 reached an accord delimiting their respective spheres of interest in areas of conflict. It is for the most part in regions once policed by the British—Greece, the eastern Mediterranean, the Middle East, Asia—that the United States since 1947 has been containing Russia. And in the most sensitive areas of all, Germany and Japan—whence Russia twice in the twentieth century has been menaced by mortal danger—the United States through force of circumstances has emerged as the principal contender against Moscow for power and influence.

Implementing Containment

Had the United States acted on the theory that containment might involve the risk of at least localized wars, it would have presumably created a far more extensive and, particularly, a more flexible military apparatus than it possessed on the eve of the invasion of South Korea. Such an apparatus, designed on the analogy of the fire-fighting department of a large city, would have to be capable of being brought to bear at any point along Russia's periphery where the Kremlin might be expected to try to break through. Hitherto the warnings of experts who did not believe Russia could be contained without provoking stinging acts of retaliation had gone unheeded. Those who urged that, to implement containment, the United States should not rely so heavily on the atomic bomb but should build up substantial ground forces (forty divisions was the figure most frequently mentioned for defense of

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Western Europe alone) were attacked as somehow inspired by Russia or communism. The only advantage—morally a most important one—of this country's past reluctance to undertake military preparations commensurate with its extensive political commitments is that it demolishes Moscow's claim that the United States deliberately provoked strife in Korea.

Now that the decision has been taken in Washington to develop military strength sufficient "not only to deal with the aggression in Korea but, also to increase our common defense, with other free nations, against further aggression," many questions which there had been a tendency to shelve, here and in Western Europe, will call for prompt decisions. How extensive a military force will the United Nations need to contain the U.S.S.R., assuming that such containment is to be established on a long-term basis? To what extent are UN members other than the United States prepared and able to contribute to a common force? Will military preparedness take precedence over economic recovery, possibly eclipsing it altogether; or are the collective economic resources of UN members adequate to handle both defense needs and continued economic development? Will additional billions for defense be matched at least by millions for implementation of Point Four and other measures designed to alleviate maladjustments that foster communism?

What Next in Asia?

While UN members review the relationship between economic and military needs, they must also decide what course

they intend to follow in Korea. Assuming the North Koreans are driven beyond the Thirty-eighth Parallel, is the precarious *status quo ante* of a divided country to be restored? Are Americans to invade North Korea? Is the United States on behalf of the UN to maintain in South Korea a military force adequate to deal with future emergencies? Are Americans to withdraw, leaving the final decision to another struggle between North and South Koreans? Or is the United Nations to assume trusteeship of the entire country, pending general stabilization on the world scene?

So far as Russia is concerned, the unification of Korea under a Communist regime is desirable both for completion of Soviet influence in a sector adjoining China and for its strategic position with respect to Japan. Both these aims, however, seem definitely subordinate to the larger objective which the U.S.S.R. has pursued with unflagging determination, and that is to seat the Chinese Communist regime in the United Nations Security Council. It is impossible for the United Nations to trade admission of Peiping for a cease-fire in Korea, as proposed by Stalin in his July 16 message to Nehru. Sooner or later, however, the issue of China's status in the UN will have to be settled—on its merits, as stated by Secretary of State Dean Acheson. Various considerations, predominantly domestic, caused the Administration last winter to withhold recognition from Peiping. The wisdom of this decision has been seriously questioned by some of our best friends in Europe and Asia, notably Britain and India. Mr. Acheson has repeatedly stated that on the issue of Peiping's admission to the Security Council

this country will abide by the decision of the majority.

It must be assumed that from the point of view of the Asian peoples—but newly arrived at or close to independence—domination by Russia is no more welcome than was domination by the Western powers or by Japan. True, it can be argued that the very backwardness of the Russians brings them closer to the "rice-root" needs of Asian populations, whose persisting poverty is even beyond the imagining of our least favored citizens. The rock-bottom issue now, however, as the Yugoslavs have made abundantly clear, is not communism as such but the invocation of communism by Moscow to justify imperialism. It is with this issue that the United Nations must wrestle until a workable arrangement can be achieved. For only to the extent that the aspirations of great powers can be subordinated to the needs of the international community will the United Nations gradually come into its own.

The rallying of UN members on Korea has been editorially described by *The New York Times* as "the new crusade." This is an unfortunate comparison which recalls that in the name of a most holy cause the great kings and barons of that day vied in cruel and sordid fashion for the attributes of power. Instead of getting bogged down in comparable contests the United Nations has a signal opportunity to achieve closer integration of peoples widely differing in traditions and experience. But this integration can be achieved only if the Western powers seek counsel in the UN, on a basis of equality, from the Asian nations themselves concerning the future of Asia.

VERA MICHELES DEAN

Korea Emphasizes Need for Balanced Armed Forces

WASHINGTON—President Truman's recommendation in his message to Congress on July 19 for adding \$10 billion to the defense budget and increasing the flow of war matériel to United States allies abroad reveals determination not only to end the war in Korea by repelling the North Korean forces but also to balance our military power with our foreign policy in other parts of the world. The military "unification" act of 1947 established the National Security Council to coordinate military policy with foreign policy, but the Council has never successfully fulfilled its purpose.

Even before the outbreak of the conflict in Korea, the commitments of the United States to defend foreign countries if they should be invaded exceeded our military ability to make those commitments good. Korea, itself, the military establishment expected would be defended by the South Korean army. Senator William F. Knowland, Republican of California, has reported that Brigadier General William L. Roberts, principal American military officer in Korea before hostilities began, "expressed the feeling that, as against any indigenous invasion from the north by Koreans alone, [the

South Koreans] would be able to give a good account of themselves and defend their republic." The United States was and still is committed, by treaties, agreements, tradition and executive assertions, to give military help to the Philippines, the French in Indo-China, Iran, Turkey, Greece, Italy, France, Algeria, Portugal, Britain, Belgium, Luxembourg, the Netherlands, Denmark, Norway, Canada, Iceland, the Latin American Republics and probably Western Germany and Western Austria.

The United States Army at the end of June consisted of ten combat divisions,

five of them assigned to the United States. The actual strength of the Air Force amounted to about forty-two groups of modern combat planes; before Korea the Air Force estimated that by the end of 1951 it would have 21,000 planes, of which 5,700 would be modern. The Naval budget for the fiscal year that began on July 1 provided for an active force of 7 attack carriers, 4 light carriers, 4 escort carriers, 1 battleship, 13 cruisers, 140 destroyers and 70 submarines. The Navy and Marine aviation programs for 1951 comprised 4,389 operating aircraft, but economy prevented the Navy from experimenting with aerial tactics for combatting enemy submarines. The Marine Corps consisted of one combat division.

The manpower of the regular forces came to 630,000 for the Army (32 per cent of them on occupation duty), 461,000 for the Navy and Marine Corps, and 416,000 for the Air Force. Augmenting them were an Army Reserve of 500,000 (200,000 receiving training regularly), an Army National Guard of 313,805, a Naval Reserve of 923,000 (200,000 regularly training), a Marine Reserve of 150,000 (50,000 of them regularly training), an Air Reserve of 70,000 (35,000 of them regularly training), and an Air National Guard of 50,000. The United States has maintained and equipped

these forces on an appropriation of \$13 billion a year.

Military Weaknesses

The Korean campaign has brought out shortcomings in military preparedness that cannot be attributed to lack of funds. Defense officials have placed the strategic bombing plane (capable of carrying atomic bombs) at the center of military policy in belief that, as General Hoyt S. Vandenberg, Air Chief of Staff, reported to the Senate on March 24, "if a future conflict should ever occur, it might well be initiated by an intense period of atomic warfare," and therefore "of first importance in this regard is our retaliatory strategic fighting force." The war in Korea follows the pre-atomic pattern and emphasizes the need for ground forces and for fighter planes capable of supporting ground forces. The existing ground forces are weak in tanks. Whereas, according to General J. Lawton Collins, Army Chief of Staff, the Soviet Union and the powers associated with it possess 40,000 medium and heavy tanks, the United States has 6,000 light and medium tanks, all obtained during World War II.

The distance from the United States to the Korean front over which troops and matériel must be moved suggests the employment of air transport planes, but the

United States lacks an adequate number of them. The Army has perfected the model of a plane that can carry 240 men or 25 tons of cargo, but the plane has yet to be manufactured. The Army has one air-borne division, but at the time hostilities broke out in Korea the Army was not satisfied with its ability to coordinate the movements of paratroopers with the movement over the sea of American amphibious troops (such as those which landed in Korea in the middle of July). The firepower equipment available to air-borne troops was considered inadequate last spring. The Army is seeking, but has not yet made, a parachute capable of dropping a tank. Parachutes now drop jeeps and howitzers. The Army has worked out in prototype a troop-carrying glider that can move twice the load of World War II gliders, but the glider does not exist in numbers.

Thus the task of providing the armed power to back up American foreign policy calls for the intensive development of many plans and projects which are still in their early stages. The increase in the military budget can be expected to speed these developments along, but it will take time to build up the situations of strength called for by Secretary of State Dean Acheson.

BLAIR BOLLES

World Crisis Spurs U.S. Economic Mobilization

The outbreak of hostilities 5,000 miles from the United States on June 24 has had—and will continue to have—a tremendous impact upon the American economy. Prices of securities on the New York Stock Exchange dropped by \$4 billion on Monday, June 26.

Prime industrials such as Chrysler and General Motors were battered. The only firmness was in aircraft manufacturing shares. This price fall was not the result of a "rigged" market, since professional traders and institutional investors did not participate in the wave of selling. Stock markets in Canada and Britain reacted similarly.

Prices rose in this country, crude rubber leading the way in strategic materials, followed by tin, copper, lead and zinc. The rise in food prices was the result of panic buying, which created spot shortages of sugar, coffee, nylons and canned meats. Merchants took advantage of the scare and raised prices so much that Senator Burnet R. Maybank, Democrat of

South Carolina, said on July 17 that the Senate Banking and Currency Committee would investigate the situation. The Bureau of Labor Statistics price index, based on twenty-eight key commodities including rubber, tin, wool, copper, zinc and lead, indicated a 10 per cent price increase since June 25.

Why the Furor?

The initial disturbances were mainly due to fear and uncertainty. The expectation of price control and rationing, increased taxes on individuals and corporations—possibly an excess profits tax—and curtailed output of consumer goods of a durable and semidurable nature all had an effect on the Exchanges. The initial reverses suffered by American troops added to the confusion.

It was not until the second week in July, at which time the stock market began recovering, that national economic policy was adapted to the changed world situation. As late as July 5 Secretary of

the Treasury John W. Snyder supported a legislative attempt to cut excise taxes by over \$1 billion, which would not have been fully offset by increasing corporate taxes and plugging various "loopholes." On July 12 the Secretary—after consultations with the President—favored shelving the proposed legislation, since the Korean crisis made a tax cut imprudent.

One week later, on July 19, the economic outlook crystallized somewhat as a result of President Truman's message to Congress. The President asked for an additional \$10 billion—bringing defense expenditure to \$23.5 billion—to finance a rearmament program. This would mean that two-thirds of present Federal revenue would be spent for military security. The President said that the American economy could take his proposed war-induced expenditures in stride. The gross national product for the first quarter of 1950 was running at an annual rate of \$263.9 billion, while national income for the same period approximated an annual

rate of \$220 billion. The Federal Reserve Board index of industrial production (1935-1939=100) for the month of June was at 197. This is slightly above the figure (195) for late 1948 but represents a considerable increase over the index (161) for the month of July 1949. Unemployment this May was down to 3.5 million, 1 million below the February figures but 500,000 above the level of last year. Despite the strength of the economy it was clear that the arms program would require increased government participation in economic life. The steel and construction industries were operating at capacity levels, and their inability to meet normal demands resulted in higher prices even before the Korean conflict.

In order to preserve domestic economic equilibrium and meet the needs of foreign policy the President has ordered some controls and requested the power to impose others. Mr. Truman asked for the authority to establish priorities and allocate strategic materials in a manner consistent with security requirements. While urging economy in government spending, the President stated that the arms program would require increased Federal expenditures. Therefore, he requested increased taxes as the basic anti-inflation weapon of a pay-as-you-go rearmament policy. In addition to curbing public credit for housing the President urged that the tremendous growth of consumer credit—an important factor in maintaining effective demand at its present high level—be restrained. In order to expand output of essential items the President requested the power to issue production loan guarantees and to make loans to increase arms manufacturing.

Partial Economic Mobilization

The comparatively modest war expenditures plus the controls requested should make a system of partial mobilization of economic resources suffice. The President declared, however, that "if a sharp rise in prices should make it necessary, I shall not hesitate to recommend the more drastic measures of price control and rationing."

It is difficult to predict what the immediate economic future will be like, but certain tentative observations can be made. The small pool of unemployed should

be absorbed as armaments production expands and the armed forces grow. There should be no serious food shortages. Existing stocks and sources of supply are more than adequate, and saner public behavior should follow the initial hysteria. However, heavy consumer goods, especially automobiles and the larger household appliances, may be in tight supply. Not only do these products require many strategic materials, but the plants and workers in these fields are the backbone of military production.

It is very likely that the President can carry out his arms program without resorting to price control or rationing. A \$40 billion budget providing for present military requirements will probably result in a budget deficit of under \$5 billion. A nation that was able to bear budgetary expenditures of more than \$95 billion in 1944 and 1945 and added during those years \$57 billion and \$51 billion respectively to its public debt should be able to meet the President's request without too much difficulty.

More important, however—and here the economist must work closely with the political analyst—the present situation is neither stable nor permanent. It is geared to the war in Korea, which must either end or spread. If the conflict is terminated as a result of cooperation between the great powers, the need for increased military expenditures will be less urgent and the nation can return to a normal peacetime economy. If the war concludes with a North Korean victory or spreads to other areas, it is certain that United States foreign policy will dictate vastly increased defense spending. In that event a \$40 billion budget will hardly be adequate. A greater degree of government intervention in economic life will be necessary, and increased taxation, while more urgent than ever, will be inadequate. The government will, under those circumstances, have to resort to the inflationary technique of financing its expenditures by the sale of Treasury obligations to the commercial banks.

The American economy has begun to flex its muscles. Depending upon the international situation, it will either begin punching or return to a relaxed state.

HOWARD C. GARY

News in the Making

A UN ARMY: Added impetus to the movement to provide an international armed force for the United Nations came from France as the result of the Korean conflict. President Vincent Auriol on July 23 urged the permanent organization of an international army, warned against the "illusion of neutrality" and called for the "effective international control . . . of all armaments without exception, the customary and atomic, to make possible their abolition for the security of all."

LEOPOLD'S RETURN: Bitter political strife continued in Belgium after King Leopold III on July 22 returned to his throne from a six-year exile. The monarch was invited back by a 198-to-0 vote—representing the full strength of the Social Christian (Catholic) party—of the Belgian Parliament after Socialist, Communist and Liberal members had walked out. Paul-Henri Spaak, leader of the Socialists, warned that the restoration would "give the signal for upheavals that will tear Belgium asunder."

AUSTRALIAN PREMIER IN U.S.: Prime Minister Robert Gordon Menzies of Australia was due to arrive in the United States on July 27 for a visit, during which he expects to see President Truman and members of his Cabinet. The Prime Minister, who came to office last December, has expressed hopes for Australian-American relations equally as close as those within the British Commonwealth.

MONETARY FUND CRITICIZED: The current sessions of the United Nations Economic and Social Council in Geneva reveal a basic and widespread dissatisfaction with the work of the International Monetary Fund. Many delegates feel that the Fund's principle of nondiscrimination—strongly favored by the United States—cannot yet be applied to the world economy. The majority of governments represented seem to favor the retention of many economic controls in order that they may concentrate on the goal of full employment.